Weekly Economic Review

Housing market softens

Housing Starts

Starts stay weak

Alberta housing starts were 34,102 (annualized) in May, increasing 3.8% from April, but down substantially from highs observed in the first quarter (Chart 1). The monthly jump in housing starts was due to a 40% increase in Calgary starts. Multifamily urban dwellings, particularly apartments, continued to prop up housing starts. Single family starts were weak, down 20% year-over-year (y/y). Even with weak starts in April and May, year-to-date housing starts were up 8.4%, owing to the strong first quarter.

There were 201,705 starts across Canada in May, a 10% jump from April and increased 2.7% from May 2014. Ontario led housing starts (84,180), followed by Quebec (34,572) and Alberta.

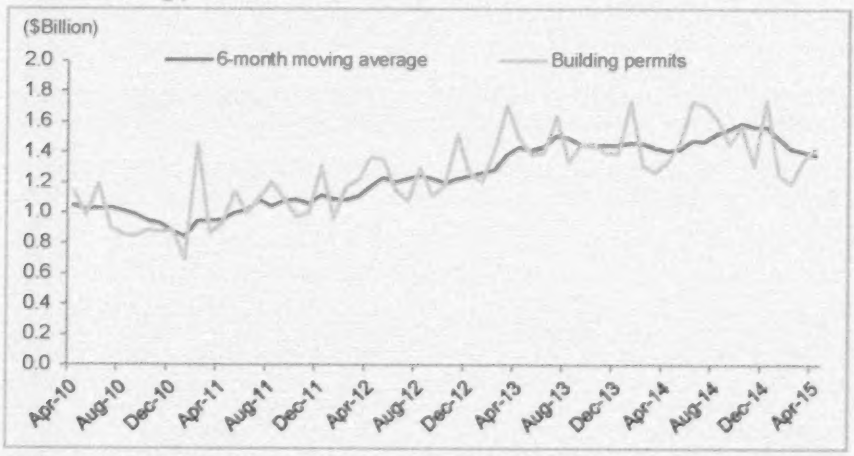
Chart 1: Housing starts remained weak in May

Alberta housing starts (annualized)

Source: Canada Mortgage and Housing Corporation

Chart 2: Building permits start to rebound

Alberta building permits



Source: Statistics Canada

Building Permits

Construction intentions improve

Building permits issued in Alberta during April totaled $1.4 billion (Chart 2), an increase of 5.6% from March and 6.7% from April 2014. The year-over-year increase was driven by non-residential permits, which were up 15% y/y due to strong increases in governmental/institutional and commercial buildings. Residential permits increased slightly by 1.2% y/y, with permits in Edmonton up 4.2% and in Calgary up 12%. Despite the up-tick, both residential and non-residential permits were down year-to-date.

Nationally, building permits jumped 12% in April and were up 26% y/y. Growth was led by a huge spike in permits issued in Ontario, up 50% from March and 64% y/y.

Oil and gas production

Strong first quarter

Alberta crude oil production in March averaged 3.0 million bpd, up 6.2% year-over-year. Growth was led by oilsands activity, with production of both crude bitumen and synthetic crude oil (upgraded bitumen) up 10%. Conventional crude oil production fell. Net new production of natural gas fell by 3.5% from March 2014, when production ramped up to meet

unusually high demand. March capped off the first quarter with oil production up 10% y/y and gas production down 6.3% y/y.

New Housing Price Index

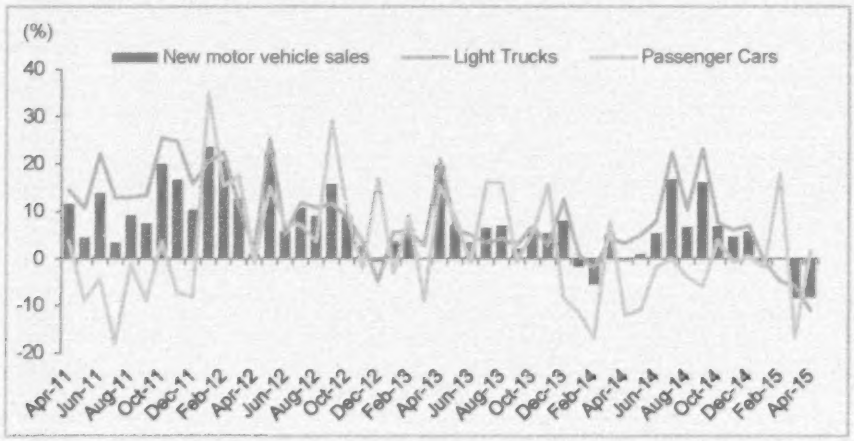
New house prices soften

After plateauing in late 2014, new home prices in Alberta have weakened. The Alberta New Housing Price Index (NHPI) in April was down 0.2% from March, the second consecutive monthly decline. Calgary was responsible for the fall in prices, down 0.4% from March. Edmonton new house prices have been effectively flat since September. Despite the monthly decline, Alberta's NHPI was still up 1.2% over April 2014, though this was the slowest growth in almost three years.

The NHPI for Canada grew 1.1% in April, pulled up by non-land prices. Ontario led the provinces in growth at 1.9% y/y.

Chart 3: Light trucks pull down new motor vehicle sales

Year-over-year change in new motor vehicle sales



Source: Statistics Canada

New Motor Vehicle Sales

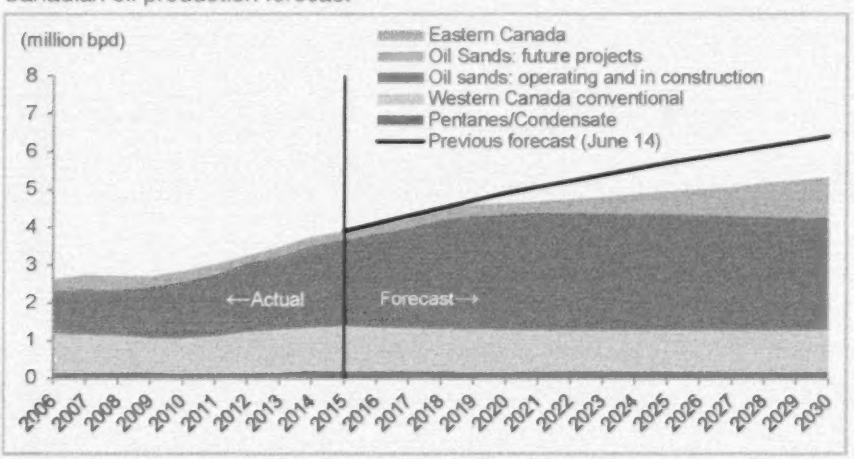
Sales decline on fewer trucks sold

Sales of new motor vehicles continue to weaken. In April, there were 22,514 new motor vehicles sold in Alberta, 2,022 fewer than in April 2014, a decrease of 8.2% y/y. All of this decline was from sales of trucks, including SUVs and vans (Chart 3), which were down 11% y/y. Sales of passenger cars were up 1.7% y/y. In dollar terms, total sales of new vehicles were down 6.8% y/y to $924 million.

Across Canada, there were 192,503 new motor vehicle sales in April, an increase of 5.6% y/y. The increase in sales were led by Ontario (+8,452 vehicles) and Quebec (+2,684 vehicles).

Chart 4: CAPP expects low oil prices to hurt production

Canadian oil production forecast



Source: Canadian Association of Petroleum Producers (CAPP)

Oil Forecast

Production revised down

The Canadian Association of Petroleum Producers (CAPP), an industry advocacy group, revised down its forecast for Canadian oil production. Production is now expected to rise from 3.7 million bpd in 2014 to 5.7 million bpd in 2030. This is 1.1 million bpd lower than last year's forecast for 2030 (Chart 4). The forecast for production growth through 2019 was largely unchanged at 168,000 bpd per year. However, the effect of low oil prices on capital spending will begin to affect production in 2020, with average growth over 2020-30 expected to average 86,000 bpd per year.

Contact

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.